STATE BOARD OF ACCOUNTS 302 West Washington Street Room E418 INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

OF

CITY OF MONTICELLO

WHITE COUNTY, INDIANA

January 1, 2006 to December 31, 2006

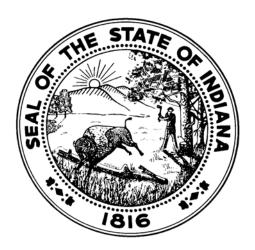




TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information: Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information: Schedule of Capital AssetsSchedule of Long-Term Debt	7 8
Examination Results and Comments: Public Works Projects Ongoing Investigation Customer Deposit Register	9
Exit Conference	10

OFFICIALS

Office	<u>Official</u>	<u>Term</u>
Mayor	Robert E. Fox	01-01-04 to 12-31-07
Clerk-Treasurer	Rennatta Berkshire	01-01-04 to 12-31-07
President of the Board Public Work and Safety	Richard Cronch	01-01-06 to 12-31-07
President of the Common Council	William J. Smith	01-01-06 to 12-31-07
Superintendent of the Water Utility	Rodney Pool	01-01-06 to 12-31-07
Superintendent of the Wastewater Utility	Joseph Mowrer	01-01-06 to 12-31-07



STATE BOARD OF ACCOUNTS 302 WEST WASHINGTON STREET ROOM E418 INDIANAPOLIS, INDIANA 46204-2769

> Telephone: (317) 232-2513 Fax: (317) 232-4711 Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Monticello (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 15, 2007

CITY OF MONTICELLO SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES As Of And For The Year Ended December 31, 2006

	Cash and nvestments 01-01-06		Receipts	Dis	bursements	ı	Cash and Investments 12-31-06
Governmental Funds:	 01 01 00	_	recocipio		baracinenta	-	12 01 00
General	\$ 1,206,644	\$	4,675,923	\$	4,118,471	\$	1,764,096
Motor Vehicle Highway	356,302		214,611		140,464		430,449
Local Road and Street	29,600		24,472		28,542		25,530
Law Enforcement Continuing Education	17,321		3,499		-		20,820
Rainy Day	108,480		58		15,019		93,519
Cumulative Capital Improvement	145,290		20,445		68,296		97,439
Cumulative Capital Development	154,138		85,589		84,288		155,439
County Economic Development Income Tax	449,400		237,266		433,598		253,068
Sidewalk and Curb	14,724		44,167		26,158		32,733
Parking Lot Maintenance	20,464		19,109		3,574		35,999
Park Nonreverting	40,519		35,602		36,120		40,001
Fire Reports	452		71		· -		523
Abandoned Vehicles	150		_		-		150
DUIP Police Fund	136		5,917		4,720		1,333
Operation Pullover	57		3,800		3,857		-
Park Gift	20,914		16,625		2,201		35,338
Fire Gift	5,262		803		279		5,786
Police Gift	8,816		1,800		350		10,266
Drug Nonreverting	8,761		-		-		8,761
Police Vending	262		722		748		236
Police K-9	2,460		8,067		6.737		3.790
Fire Vending	367		1,906		1,471		802
CEDIT Revenue Bonds	-		486,791		332,363		154,428
CEDIT Bond Debt Service Reserve	280,408		212,685		339,468		153,625
CEDIT Bond and Interest	-		105,800		-		105,800
Urban Forestry Grant	1,438		-		-		1,438
TIF Allocation	992,312		296,382		124,725		1,163,969
TIF Bond Reserve	-		42,000		, -		42,000
TIF Bond and Interest	_		21,381		-		21,381
William Altherr Park	_		392,174		3,750		388,424
Insurance Claim Payments	3,360		124,119		122,093		5,386
Monticello Redevelopment Commission	1,042		3		· -		1,045
Monticello Economic Development Commission	17,176		211		12,075		5,312
Levy Excess	-		53,833		53,833		-
Proprietary Funds:			•		,		
Water Utility - Operating	658,170		1,825,273		2,028,559		454,884
Water Utility - Bond and Interest	35,507		1,407,109		881,325		561,291
Water Utility - Customer Deposit	171,253		49,585		41,911		178,927
Water Utility - Improvement	22,612		34,180		-		56,792
Wastewater Utility - Operating	810,639		1,567,337		1,821,775		556,201
Wastewater Utility - Bond and Interest - 98' Bonds	153,555		-		153,555		-
Wastewater Utility - Bond and Interest - 95' Bonds	48,955		1,825,353		729,159		1,145,149
Wastewater Utility - Improvement	50,828		-		-		50,828
Wastewater Utility - Equipment Replacement	172,541		_		_		172,541
Wastewater Utility - Accounts Payable	17,310		616,477		614,596		19,191
Fiduciary Funds:	,-		,		,		-, -
Police Pension	235,289		138,038		113,245		260,082
Fire Pension	293,870		177,005		133,736		337,139
Payroll	 1,778	_	3,024,588		3,024,784		1,582
Totals	\$ 6,558,562	\$	17,800,776	\$	15,505,845	\$	8,853,493

The accompanying notes are an integral part of the schedules.

CITY OF MONTICELLO NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF MONTICELLO NOTES TO FINANCIAL INFORMATION (Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund Harrison Building, Room 800 143 West Market Street Indianapolis, IN 46204 Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF MONTICELLO SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS For The Year Ended December 31, 2006

Primary Government	 Ending Balance
Governmental activities: Capital assets, not being depreciated: Land Infrastructure Buildings Improvements other than buildings Machinery and equipment Construction in progress	\$ 641,836 1,227,945 3,102,402 368,551 2,399,987 3,847,694
Total governmental activities, capital assets not being depreciated	\$ 11,588,415
Business-type activities: Water Utility: Capital assets: Land Construction in progress Buildings Improvements other than buildings Machinery and equipment Total Water Utility capital assets	\$ 63,500 382,123 2,451,450 4,205,061 675,197 7,777,331
Wastewater Utility: Capital assets: Land Construction in progress Buildings Improvements other than buildings Machinery and equipment Total Wastewater Utility capital assets	 152,142 268,651 8,989,114 10,477,902 890,656 20,778,465
Total business-type activities capital assets	\$ 28,555,796

CITY OF MONTICELLO SUPPLEMENTARY INFORMATION SCHEDULE OF LONG-TERM DEBT For The Year Ended December 31, 2006

Description of Debt	 Ending Balance	Due Within One Year			
Governmental Activities: Notes and loans payable - Street Dept Bldg Revenue bonds:	\$ 106,355	\$	106,355		
2004 CEDIT 2005 CEDIT	1,219,000 435,000		115,000		
2003 CEDIT 2003 TIF	 615,000		30,000		
Total governmental activities long-term debt:	\$ 2,375,355	\$	251,355		
Business-type Activities: Water Utility Capital leases:					
1/2 Radio Read Equipment Revenue bonds:	\$ 80,728	\$	22,820		
1995 Waterworks	295,000		-		
2001 Plant Upgrade 2006 Waterworks	 2,990,649 610,000		<u>-</u>		
Total Water Utility	 3,976,377		22,820		
Wastewater Utility Capital leases:					
1/2 Radio Read Equipment Revenue bonds:	80,756		22,828		
1995 Sewage Works	395,000		80,000		
1998 Sewage Upgrade	3,534,007		200,000		
2006 Sewage Works	 705,000		25,000		
Total Wastewater Utility	 4,714,763		327,828		
Total business-type activities long-term debt:	\$ 8,691,140	\$	350,648		

CITY OF MONTICELLO EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECTS

The City of Monticello, contracted with Mann Concrete and Central Paving for sidewalk work and street paving, respectively. The total amount paid to Mann Concrete was \$53,381 and the total amount paid to Central Paving was \$83,895. There was no evidence presented for examination that sealed bids were requested or received. Three quotes were obtained for these projects and the projects were awarded to the lowest quote received.

Indiana Code 36-1-12-4(a) states in part: This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under Indiana Code 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or City with a population of more than five thousand (5,000) or (B) a county containing a third class city or City with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with Indiana Code 5-3-1 calling for sealed proposals for the public work needed."

Indiana Code 36-1-12-19(b) states: "The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids."

ONGOING INVESTIGATION

The Indiana State Police is currently investigating alleged improprieties within the Mayor's office regarding submission of travel claims.

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contract, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was noted in prior Report B27937.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MONTICELLO EXIT CONFERENCE

The contents of this report were discussed on May 14, 2007, with Rennatta Berkshire, Clerk-Treasurer. A separate exit conference was held on May 15, 2007, with Robert E. Fox, Mayor; and William J. Smith, President of the Common Council. The officials concurred with our findings.